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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/09/10

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FUTENMA ISSUE

3) New Nago mayor to persist in opposition to Henoko relocation

YOMIURI (Page 4) (Abridged)
February 9, 2010

The newly elected mayor of Nago City in Okinawa Prefecture, Susumu Inamine, who won the city's recent mayoral race running on a platform of opposition to the planned relocation of the U.S.

military's Futenma airfield facility to his city, assumed its mayorship yesterday. "I will persist in my opinion with conviction," Inamine said in yesterday's press conference, stressing his intention to raise an all-out objection to the current plan to relocate the Futenma facility to a coastal area of Camp Schwab, a U.S. military base located in the city's Henoko area. The new mayor thus expressed his view against the relocation of the Futenma facility to Henoko.

Inamine said in the press conference: "I don't think Prime Minister Hatoyama will come around to Henoko. I want to believe him." The ruling Democratic Party of Japan, in its manifesto for last year's House of Representatives election, vowed to review the current Futenma relocation plan. In this regard, Inamine added: "The people of Okinawa Prefecture have such great expectations. The party made a promise, so I want them to carry it out at an early date."

FOREIGN RELATIONS

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4) Hatoyama holds talks with Abbas

YOMIURI (Page 4) (Full)
February 9, 2010

Prime Minister Yukio Hatoyama held talks yesterday with Palestinian President Mahmoud Abbas at the Prime Minister's Official Residence (Kantei). During the talks, Hatoyama indicated that Japan will help build a Palestinian nation in cooperation with Indonesia and other East Asian countries. Hatoyama and Abbas agreed to implement the "Japanese-Palestinian work program," which includes the dispatch of a Japanese fact-finding team, in order to realize a Palestinian state with a self-sufficient economy in the future.

5) Hatoyama eager to solve Northern Territories dispute

ASAHI (Page 4) (Full)
February 9, 2010

Prime Minister Yukio Hatoyama stated on Feb. 7 at a national rally in Tokyo calling for the return of the four Russia-held islands off Hokkaido: "Resolving the issue of the Northern Territories is my biggest wish after the change of government," expressing a keen eagerness for an early settlement of the territorial dispute with Russia.

6) Japan to provide 3 billion yen to Somalia

ASAHI (Page 4) (Full)
February 9, 2010

Foreign Minister Katsuya Okada met yesterday with the Somali transitional government's Foreign Minister Ali. During the meeting, Okada told Ali that Japan will provide Somalia with a total of approximately 35 million dollars (approximately 3 billion yen) as support for police and humanitarian assistance. Okada said, "Bringing peace to Somalia is indispensable for eradicating pirates and preventing terrorism from spreading," indicating that Japan will actively support the country.

According to the Japanese Foreign Ministry, Ali is the first Somali minister to visit Japan since the transitional government was launched in 2005.

7) Japan loses nuclear plant project in Vietnam to Russia

NIKKEI (Top Play)
February 9, 2010

Yoichi Iwamoto, Hanoi

The Vietnamese government has decided to award a contract for the first phase (to construct two reactors) of a project to build Southeast Asia's first nuclear power plant to Russia's state-run nuclear power company, Rosatom. Russia won the contract by

reportedly offering a package deal including military cooperation. Although a Japanese team composed of private firms and the government was aiming to win the order, Japan suffered its second setback. At the end of last year, Japanese firms lost to South Korean firms in a battle to land a nuclear power plant project in Abu Dhabi. The team will step up its efforts to win a contract for

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the second phase (two reactors) of the project.

ECONOMY

8) JAL to announce its decision to maintain alliance with American Airlines today

NIKKEI (Page 11) (Full)
February 9, 2010

Japan Airlines, which has filed for court-protected rehabilitation, has been holding talks with two U.S. carriers for a possible business alliance. On Feb. 9, the carrier will formally announce its decision to choose American Airlines, a member of the Oneworld airline alliance that JAL also belongs to, as a business partner. Both carriers intend to apply for antitrust immunity (ATI) status under the U.S. Antitrust Act with the Department of Transportation as early as this week. American Airlines and Delta Air Lines have been competing to become JAL's business partner. The battle between the two U.S. carriers will end with JAL deciding to maintain and strengthen its alliance with American Airlines.

JAL and American Airlines plan to effectively integrate their passenger flight businesses between the U.S. and Japan as early as October if they can obtain ATI status. The integration will enable them to streamline their businesses, including enhancing seat occupancy rates, by adjusting duplicate routes as well as landing and departure schedules. American Airlines will also be able to consolidate its sales branches in Japan by letting JAL handle negotiations with Japanese travel agencies.

JAL will also strengthen ties with British Airways of Britain and Qantas Airways of Australia, both of which also belong to Oneworld. JAL will consider consolidating flights between Japan and Britain by applying for ATI with the European Union (EU). With Australia, JAL will look into launching code-sharing operations by low-cost carriers between Japan and Australia.

During the tie-up talks with the U.S. carriers, the Ministry of Transport and JAL had first judged that forming an alliance with Delta would boost JAL's profits more substantially. However, it was also pointed out that their applications for ATI status might not be granted, because the two carriers' combined share in the flights on the Pacific route would top 60 percent.

In addition to such concerns, Kazuo Inamori, who took office as chairman of JAL on the 1st, placed priority on the longtime relationship between JAL and American Airlines. If JAL switched to Delta-led alliance, it would take time to adjust various systems, which could cause JAL to suffer temporary confusion and a drop in profits. JAL is aiming to reconstruct its management within three years under the Enterprise Turnaround Initiative Corporation of Japan (ETIC), which serves as the carrier's bankruptcy administrator.

9) Current account surplus in 2009 shrinks to half of its peak, showing limits of "relying on the U.S."

NIKKEI (Page 5) (Full)
February 9, 2010

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Preliminary figures on balance of international payments for 2009 issued by the Ministry of Finance on Feb. 8 show that Japan's

current account surplus has dropped to half of its peak in 2007. In addition to the low trade surplus, the income account surplus, which reflects returns from investments, suffered a record decline. The contraction in current account surplus reflects the stagnation in the world economy that has relied on the U.S.'s economic growth.

"Overconsumption" in the U.S. was behind the growth in exports from Japan and the East Asian countries and the resulting expansion in the current account surplus in the 2000s (2000-2009). The U.S. borrowed money from Japan and Asia to import various goods. On the other hand, Japan and the East Asian countries exported highly profitable products to the U.S. and reinvested such profits in the U.S.

Japan's current account surplus is now back at the 2002 level, before the world experienced an economic boom. Ryutaro Kono, (chief economist) of BNP Paribas Securities, points out that "the adjustment of the world economic disequilibrium has run its course, but it will still take time for the economy in the Western countries to make a full-fledged recovery." He believes that a full-fledged recovery of exports to advanced countries will take more time.

The income account surplus in 2009, which reflects the profits made by investors, has dropped substantially from 2008. Profits from securities investments have deteriorated due to low interest rates worldwide and a strong yen. In addition, the business performance of overseas subsidiaries of Japanese companies was also poor, resulting in a decline in "direct investment profits." The income account surplus overtook the trade surplus in 2005, clearly showing that Japan earns more from investments. For this reason, the contraction in the income account surplus may have an adverse effect on overall national income.

10) Toyota recall: President mulling visiting U.S.

MAINICHI (Page 1) (Excerpt)
February 9, 2010

It has been learned that Toyota Motors President Akio Toyoda is considering visiting the U.S. in order to allay the situation caused by a series of voluntary repairs and recalls of Toyota vehicles there.

Toyoda held a press conference on Feb. 5 for the first time since the problem was revealed. However, there is no sign of criticism dying down in the U.S. because his explanation lacked specifics. He will make a final decision on visiting the U.S. after a public hearing at the U.S. House of Representatives.

POLITICS

11) Ozawa renews resolve to stay on as secretary general

ASAHI (Top Play) (Excerpts)
February 9, 2010

Democratic Party of Japan Secretary General Ozawa returned to his party duties and began energetically taking action yesterday. Eliciting a pledge from Prime Minister Yukio Hatoyama to approve his remaining in office as secretary general, Ozawa declared in a press

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conference his innocence in the land-deal case, in which his former secretary and others were indicted. He also indicated his eagerness to hold a meeting with U.S. President Barack Obama during the Golden Week holidays. He intends to pour his energy into fulfilling his duties as party secretary general while carefully watching the trends in the public's perception of him, at present severe.

In his first regular press conference last evening after prosecutors decided not to bring charges against him, Ozawa said: "I will begin with a statement," and then expressed a apology while carefully choosing his words: "I apologize for causing you anxiety."

Ozawa went on to say: "A fair and impartial investigation by prosecutors showed I had not received any illicit money." In

response to the comment that his explanation was insufficient, Ozawa said: "Since I provided sufficient explanations to prosecutors during two rounds of questioning, I think I have nothing else to explain." He indicated no need for a further explanation now that he was not criminally charged. In the press conference, he refrained from criticizing prosecutors, though he virtually declared victory over them.

12) Hatoyama: Ozawa has fulfilled accountability

YOMIURI (Page 2) (Abridged)
February 9, 2010

In reply to a question at a House of Representatives Budget Committee session yesterday about a violation of the Political Funds Control Law involving Democratic Party of Japan Secretary General Ichiro Ozawa's fund management body, Rikuzankai, Prime Minister Yukio Hatoyama said, "Mr. Ozawa has fulfilled his accountability as the occasion demanded," indicating his view that Ozawa has to a degree fulfilled his accountability.

Hatoyama also pointed out: "Mr. Ozawa has responded to questioning by prosecutors and he has also responded to reporters' questions as they arose. He did not run away."

13) DPJ-affiliated floor group to hold majority of Upper House without SDP due to Tamura's accession to DPJ

ASAHI (Page 4) (Full)
February 9, 2010

House of Councillors member Kotaro Tamura, who has left the Liberal Democratic Party, conveyed his intention to join the Democratic Party of Japan (DPJ) to DPJ Secretary General Ichiro Ozawa at DPJ headquarters on Feb. 8. As a result, the DPJ-affiliated floor group that includes New Ryokufu-kai, the People's New Party (PNP), and the New Party Nippon will now hold 121 seats of the 242 seats in the Upper House. This means the group will gain a majority of the Upper House, excluding its president who does not take part in votes in principle. In other words, the Hatoyama administration will be able to maintain control of the Upper House even if the Social Democratic Party leaves the administration.

"Mr. Ozawa encouraged me to conduct solid discussions to help improve the DPJ," Tamura said at a press conference. Although the Tottori electoral district represented by Tamura will be up for election this summer, the DPJ will field him in the proportional representation segment to avoid competition with another DPJ

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candidate.

With Tamura joining the party, the DPJ now holds 115 seats in the Upper House (excluding Upper House President Satsuki Eda). The number of members in the DPJ-affiliated floor group is now 121 - a majority of the chamber - including the PNP's five seats and one independent.

To the ruling coalition, the presence of the SDP has been vital because the SDP has made it possible for the ruling coalition to maintain a majority of the Upper House owing to the SDP's five seats.

"A change in the majority might be important, but we will continue to pursue what we think is right regardless of this factor," SDP leader Mizuho Fukushima said to the press corps yesterday.

14) Draft bill to realign Japan Post group into three companies; government capital ratio not specified

YOMIURI (Page 9) (Full)
February 9, 2010

The government announced on Feb. 8 its draft "postal reform bill" to be submitted to the current Diet session. The bill proposes to realign the Japan Post (JP) group, currently consisting of five

companies, into three companies. While the bill does not specify the ratio of government capital and the limit of deposits, the general impression is that of strong government involvement. A consensus will be built within the government and the ruling parties, with an aim of passing a cabinet resolution on the bill in March.

The draft bill defines the Japan Post group as a "private company that plays a strong public welfare role." It decrees that all three JP services (mail delivery, banking, and insurance) are to be offered uniformly across the country. The cost for providing such services will be covered by the government through tax reductions or exemptions and other measures. The "social and local contribution fund," which is used to fund unprofitable operations under the current postal privatization laws, will be abolished.

A new holding company that will be formed by merging the current JP Holdings Company, the JP Service Company, and the JP Network Company will be designated as a special corporation to be governed by a special law, while the JP Bank and JP Insurance Company under the new holding company will be private financial institutions governed by the Banking Law and the Insurance Law. The JP Bank and JP Insurance will be able to launch new businesses at their own discretion.

The draft bill only says that the government's capital ratio in the holding company and the holding company's capital ratio in JP Bank and JP Insurance are "to be determined." However, it points out that the government's capital ratio in the holding company should be decided based on two factors: ability to take defensive measures against hostile takeovers and ability to reflect its will in JP's management.

15) Main question and answers from Feb. 8 House of Representatives Budget Committee session; environment minister calls for greater efforts by the United States

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NIKKEI (Page 4) (Excerpts)
February 9, 2010

Battle against global warming

Nobutaka Machimura (of the Liberal Democratic Party): Do you think the United States and China's greenhouse-gas-emission-reduction targets are ambitious figures?

Environment Minister Sakihito Ozawa: With international talks still going on, the government has not yet announced its unified view. Although we would like to see the United States raise its target a little more, we highly evaluate the fact that the country has come up with a long-term goal to be met by 2050. China's emissions will continue to grow, so the country needs to indicate when its emissions will peak (emissions will drop).

16) DPJ eyes SDF vote

MAINICHI (Page 5) (Abridged)
February 9, 2010

The ruling Democratic Party of Japan is now planning to field a retiree of the Self-Defense Forces in this summer's House of Councillors election for proportional representation. The SDF, estimated to have 200,000 votes across the nation, used to be a sizable bloc for the now-opposition Liberal Democratic Party. In November 2009, the LDP decided to run Takashi Uto, an Air Self-Defense Force retiree, as a candidate on its ticket. If the DPJ decides to run an SDF retiree as a candidate, the SDF voting bloc will be divided. This move could also spur industrial organizations to distance themselves from the LDP.

17) Hatoyama eager to enact bill amending Political Funds Control Law; New Komeito also discussing amendment

NIKKEI (Page 2) (Full)
February 9, 2010

The government has decided to amend the Political Funds Control Law to prohibit politicians from receiving any donations from companies and organizations. In this connection, Prime Minister Yukio Hatoyama said yesterday: "It is necessary to deal with problems related to political funds more strictly. Priority should be given to each political party's judgments. If possible, it would be preferable to finalize an amendment during the current Diet session." In replying to questions from reporters at the Prime Minister's Official Residence, he indicated his eagerness to enact an amended bill during the ongoing Diet session.

Hatoyama pointed out: "I hear that the New Komeito is also preparing a new bill. A positive conclusion should be reached based on discussions conducted within political parties." In reference to a lawmaker's responsibility in the event that his or her accounting manager is involved in illegal activities, the prime minister emphasized: "That is exactly what the New Komeito is calling for."

The New Komeito has proposed a bill stipulating that if a lawmaker's accounting manager engages in illegal activities, the lawmaker would be punished for appointing or failing to supervise the accountant and that the lawmaker's civil rights (right to vote and right to hold office) would be suspended.

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OPINION

18) Poll: Cabinet disapproval rating shoots up to 46.1 PERCENT , tops approval rating for 1st time

SANKEI (Page 3) (Abridged)
February 9, 2010

The disapproval rating for Prime Minister Hatoyama and his cabinet rose 5.8 percentage points from last month to 46.1 PERCENT in the latest joint public opinion survey conducted by the Sankei Shimbun and Fuji News Network (FNN) on Feb. 6-7. Meanwhile, the support rate for the Hatoyama cabinet was 42.8 PERCENT . The Hatoyama cabinet's support rate topped its nonsupport rate for the first time. Asked about ruling Democratic Party of Japan Secretary General Ichiro Ozawa, a total of 70.3 PERCENT said he should resign from his party post even though the prosecutors have dropped the case on his political fund management organization's unreported land purchase. The figure remained at over 70 PERCENT from the last survey, indicating the public's harsh criticism of the Hatoyama cabinet and Ozawa.

In the breakdown of public support for political parties, the DPJ stood at 32.9 PERCENT , with the leading opposition Liberal Democratic Party at 18.2 PERCENT . In the popularity ranking of political parties for this summer's House of Councillors election as well, the survey posted a substantial gap between the DPJ and the LDP, respectively at 37.0 PERCENT and 23.2 PERCENT .

ROOS